



COUNTY OF HUMBOLDT

AGENDA ITEM NO.

For the meeting of: January 3, 2017

Date: December 20, 2016

To: Board of Supervisors

From: Jeff M. Dolf, Agricultural Commissioner/Sealer of Weights & Measures

Subject: **REPORT ON THE MEDICAL CANNABIS TRACK AND TRACE PILOT PROJECT AND REQUEST TO ISSUE A TRACK AND TRACE REQUEST FOR PROPOSALS**

RECOMMENDATION(S):

That the Board of Supervisors:

1. Hear a report from the Agricultural Commissioner on the progress and findings of the County's Medical Cannabis Track & Trace Pilot Project, and
2. Direct the Agricultural Commissioner to continue developing and implementing a Medical Cannabis Track and Trace Program for all participants in the County's Medical Marijuana Permitting Program including offering the Humboldt Artisanal Program, and
3. Authorize the Agricultural Commissioner's Office to issue a Request for Proposals (RFP) soliciting offers from Track and Trace program vendors to provide Humboldt County's program.

SOURCE OF FUNDING:

General Fund

Prepared by

Justin Day

CAO Approval

Cheyl Dillingham

REVIEW:

Auditor

County Counsel

Sm

Human Resources

Other

TYPE OF ITEM:

- Consent
- Departmental
- Public Hearing
- Other

PREVIOUS ACTION/REFERRAL:

Board Order No. _____

Meeting of: _____

BOARD OF SUPERVISORS, COUNTY OF HUMBOLDT
Upon motion of Supervisor Seconded by Supervisor

- Ayes
- Nays
- Abstain
- Absent

and carried by those members present, the Board hereby approves the recommended action contained in this Board report.

Dated: _____

By: _____

Hayes, Clerk of the Board

Kathy

DISCUSSION:

On March 1, 2016, your Board approved the Agricultural Commissioner to evaluate and accept a proposal on the concept of developing and implementing a Medical Cannabis Track and Trace Pilot Project with SICPA Security LLC (SICPA). Your Board also authorized the Agricultural Commissioner to select participants for the medical cannabis track and trace pilot project based on the criteria that all participants must be in "good standing" with current laws and regulations pertaining to medical cannabis and have applied for a permit with the County's Planning and Building Department as required by the Medical Marijuana Land Use Ordinance (MMLUO). Since approving the Medical Cannabis Track and Trace Pilot Project the Agricultural Commissioner's Office and SICPA have worked cooperatively to develop and implement the pilot program. The Agricultural Commissioner's Office offered invitations to participate in the pilot project to 11 cultivators, 2 distributors, 3 manufacturers, one local and six out-of-County dispensaries.

Humboldt County's track and trace pilot program is testing a secure batch and lot methodology for tracking medical cannabis that is consistent with requirements of the Medical Cannabis Regulatory and Safety Act. The pilot project system is capable of tracking the movement of medical cannabis through the supply chain from cultivator to retailer. Elements of the program developed by SICPA and provided to the County per terms of the pilot agreement include: Humboldtorigin.org website, online production declaration and product catalog for participants, stamp activation, marketing and governmental inspection capabilities. Unique to the program is the use of counterfeit-proof secure stamps that enable origin verification of stamped cannabis products by consumers, while also providing regulators and law enforcement information to track medical cannabis products when transferred to different license holders through the distribution chain. The Agricultural Commissioner's Office and SICPA have held three training sessions for pilot project participants and the Sheriff's Office with final training being provided to participants during 2 sessions on July 28th and 29th.

Humboldt origin stamped medical cannabis products are now offered for sale at 5 participating medical cannabis dispensaries in California. Agricultural Commissioner's staff have conducted site inspections of cultivators participating in the pilot project to verify production declarations and other performance indicators. Participants in the County's Track and Trace Pilot Project are successfully using the software program to activate stamps, apply stamps to medical cannabis products, and transfer shipments of stamped products to listed trading partners. The Commissioner's Office has received a significant number of requests from producers, cooperatives, and grower representatives requesting to participate in the pilot project because of the "proof of origin" branding offered by the program, thus demonstrating that the Humboldt "origin" branding can incentivize participation in the County's Medical Cannabis Permit Programs by the medical cannabis industry.

Pilot Participation: Currently participation in the pilot project includes: 10 cultivators (outdoor, indoor, and mixed), 4 manufacturers and wholesalers, and 5 dispensaries. There are a total of 35 registered sites in the pilot project.

Pilot Activity: Stamped Product Quantities and Product Types: More than 22,000 stamps have been applied to 1100 lbs. of verified Humboldt County medical cannabis (as of 12/12/16). Common packaging sizes are 1 lb. bulk and 1/8 oz. retail units. Many participants are moving away from shipping bulk units toward shipping pre-packaged ("prepack") retail units. The Humboldtorigin.org website has received 1,500 hits and 500 product validations have been run by medical cannabis consumers using the pilot project app.

The Administrative Office has amended the original pilot services agreement with SICPA to extend the end date of the agreement to February 28, 2017. The City of Eureka has begun meeting with the Agricultural Commissioner's Office and SICPA to work on developing a medical cannabis track and trace program for the City which will integrate with the County's own track and trace program and be capable of tracking the movement of medical cannabis from producers located in County jurisdictions to processors and other medical cannabis related businesses located in Eureka.

RFP for Medical Cannabis Track & Trace Program for 2017

The Agricultural Commissioner is now seeking direction from your Board for the Commissioner's Office to establish a Medical Cannabis Track and Trace Program for all applicants and permittees to the County's MMLUO in 2017. Establishing a comprehensive County Medical Cannabis Track and Trace Program for applicants and all permittees in 2017 and until the State implements a track and trace program will require that Humboldt County issue an RFP for track and trace program vendors. Eureka has also expressed an interest in cooperating with the County on the RFP process for medical cannabis track and trace vendors. As demonstrated through the track and trace pilot project, medical cannabis products produced under the "Humboldt Artisanal Branding" can be recognized and distinguished through the use of secure "artisanal branding" stamps as a component of track and trace.

Section 55.4.15 "Humboldt Artisanal Branding" of the MMLUO directs that the County shall develop a program for recognition and certification of commercial cannabis cultivators meeting standards to be established by the Agricultural Commissioner, including, but not limited to, the following criteria:

1. Cultivation area of 3,000 sq. ft. or less.
2. Operated by a County permit and state license holder who resides on the same parcel as the cultivation site.
3. Grown exclusively with natural light.
4. Meets organic certification standards or the substantial equivalent.

The Medical Cannabis Track and Trace Pilot Project is consistent with your Board's Strategic Priority Framework's core roles of encouraging local enterprise, and the creation of private sector jobs and opportunities.

FINANCIAL IMPACT:

There is no financial impact to hearing the report. SICPA has developed and implemented a Medical Cannabis Track and Trace Pilot Project for Humboldt County limited to costs associated with Agricultural Commissioner's Office staff time and transportation. Participants in the pilot project have been charged for inspections required as a condition of participation in the pilot project. Activities performed by County staff in support of the pilot project include: training sessions for participants, inspections at cultivation sites and monitoring performance indicators. It is anticipated that all costs associated with operating a track and trace program will be covered by fees charged to the participants. Fees associated with required participation in a County track and trace program were approved by your Board at its October 4th meeting.

OTHER AGENCY INVOLVEMENT:

None

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board could choose to deny the request to continue the County's track and trace program by issuing an RFP for track and trace program vendors, but this alternative is not advised as the County medical cannabis permitting program would not be following State requirements for track and trace in the legislation.

ATTACHMENTS:

None